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UNITED STATES BANKRUPTCY COURT

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WESTERN DISTRICT OF WASHINGTON AT SEATTLE

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IN RE:

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GARY R. MCLEAN,

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Debtor.

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10-14407

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EXAMINATION OF KEVIN HANCHETT

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PURSUANT TO

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BANKRUPTCY RULE 2004

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1:00 P.M.

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NOVEMBER 24, 2015

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700 STEWART STREET, SUITE 5103

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SEATTLE, WASHINGTON

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REPORTED BY: SHARI L. WHEELER, CCR NO. 2396



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EXHIBIT 14

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EXHIBIT 14

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## A P P E A R A N C E S (Continuing)

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13 ALSO PRESENT:

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GARY MCLEAN, debtor

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## EXHIBIT 14

1 well?

2 A. I suspect he was, but I don't have certainty.

3 Q. If Mr. Nitz was involved as a professional  
4 employed by the estate through your firm, did you have  
5 any conversations with Mr. Nitz about the sale of  
6 Graphic Sciences?

7 A. Yes.

8 Q. And did he tell you what he was doing in  
9 relation to the sale?

10 A. In regards to the McLean estate, everything was  
11 for sale, everything was available for refinance.  
12 Mr. McLean had an ongoing \$32,000-per-month obligation  
13 to his ex-wife that we were striving to meet. So, yes,  
14 in regards to trying to sell everything, we had  
15 conversations.

16 Q. What time period do you think you had your  
17 initial conversations with Mr. Nitz regarding the  
18 Graphic Sciences sale?

19 A. Probably August or so of 2011.

20 Q. Can you tell me the substance of those  
21 discussions?

22 A. All I know is that he said there was a  
23 potential for a sale of the asset.

24 Q. Did he tell you the parameters of the sale and  
25 how much Mr. McLean could expect to receive?



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EXHIBIT 14

1 A. No.

2 Q. Did he ever tell you that?

3 A. I'm sure, ultimately, I found out about the  
4 parameters. But at the time I first heard about the  
5 prospect of a sale, it was given a very low probability  
6 of success.

7 Q. And why is that?

8 A. Mr. McLean was a 50 percent owner. So his 50  
9 percent interest, once again, was not worth much unless  
10 his partner agreed to participate. There was, as I  
11 understand, a default on their bank loan. There was a  
12 necessary renewal. Mr. McLean was in Chapter 11. His  
13 partner was in prison, and so the prospects didn't look  
14 good.

15 Q. Was it through Mr. Nitz that you first learned  
16 of the possibility of a sale?

17 A. No. I believe I learned about it through  
18 Mr. Steen.

19 Q. Do you know how Mr. Steen learned about it?

20 A. No.

21 Q. So that would have been in August of 2011?

22 A. I believe so.

23 Q. At what point did you learn that the sale was  
24 actually going to happen?

25 A. Probably the day of the closing. Once again,



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1 Q. In document production leading up to the  
2 lawsuit?

3 A. No. It was done several years ago in response  
4 to a motion for contempt and for discovery in the  
5 underlying King County action.

6 Q. What form did the disclosure take?

7 A. The schedule of disbursements, the proceeds  
8 received. That was in about 2013.

9 Q. So a couple of years after the money was  
10 received and disbursed?

11 A. Correct.

12 (Exhibit Number 14 was marked for  
13 identification.)

14 Q. (BY MR. SMITH) Exhibit 14 is a pleading that  
15 was filed with the court on September 6, 2011. It's  
16 titled Debtor's Reply to Response of Kathleen McLean to  
17 Debtor's Motion to Dismiss Chapter 11 Case for Cause.  
18 Did you draft this?

19 A. No.

20 Q. Who did?

21 A. Jeff Smoot.

22 Q. Why was nothing mentioned in here regarding the  
23 potential sale of the assets? This is now in September  
24 of 2011.

25 A. Correct. I don't think that -- well, it



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1 appears that this was prior to the sale agreement being  
2 signed. So at that point in time, it continued to be a  
3 potential for recovery, but it was not a certainty.

4 Q. Do you always wait, before you tell the Court,  
5 until things are certainties?

6 A. Do I always wait to tell the Court until things  
7 are certainties?

8 Q. Yeah. If there's a sale in prospect that, if  
9 it happens, will generate a significant sum of money,  
10 why didn't you think -- at this point in time, in  
11 September of 2011 -- that that was information that was  
12 appropriately disclosed to the Court?

13 A. Because at this point in time, the asset had  
14 been disclosed, the value had been disclosed. Any  
15 asset that Kathy McLean wanted to add to her collateral  
16 bucket had been granted to her. And so at this point  
17 in time, it wasn't necessary to disclose it because the  
18 deal had been negotiated.

19 Q. You don't think that it would have been of  
20 interest to the Court to know that there was a sale in  
21 prospect that would generate over \$2 million to  
22 Mr. McLean?

23 A. I'm not sure what would be of interest to the  
24 Court. What I was dealing with was the parties and  
25 negotiating a resolution of this case. And the parties



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1 received full disclosure about everything, as far as  
2 the assets that existed. And they went through the  
3 assets, and they picked what they wanted, were granted  
4 those items, and the case was closed down.

5 Q. Mr. Hanchett, you have a motion pending with  
6 the Court for a dismissal of the case based upon the  
7 lack of ongoing assets by Mr. McLean.

8 A. Based on the lack of ability to reorganize,  
9 correct.

10 Q. And a lack of assets. After the IDC sale, you  
11 say, in the pleadings, that was the big crown jewel of  
12 this case. It didn't generate any money. That's a  
13 problem.

14 A. Well, it did generate money. It generated  
15 \$3.4 million to Kathy McLean and 50 to \$60 million to  
16 other creditors.

17 Q. But none for the debtor?

18 A. None for the debtor.

19 Q. So you have this motion pending where that's  
20 your justification to the Court, who has to make the  
21 decision as to why it should grant your relief. Now,  
22 given that, that you're asking the Court to grant  
23 relief on that basis, you don't think it's germane that  
24 2.2 million in cash is going to be coming in  
25 potentially soon?



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1 A. Once again, that was an unknown at this time.

2 Q. It wasn't unknown. You knew the sale was  
3 pending, or out there.

4 A. The sale hadn't been signed.

5 Q. It hadn't been signed, but you knew it was  
6 being negotiated.

7 A. Just like we were negotiating a sale of  
8 Westmark. Just like we were negotiating a sale of MB  
9 Partners. Everything was being negotiated for sale at  
10 that point in time. None of these had a definitive  
11 purchase and sale agreement associated with them. The  
12 creditors all knew about the assets. They were  
13 disclosed in the divorce and disclosed in the  
14 bankruptcy. The fact that this one happened to hit  
15 postdismissal was the way the draw worked out.

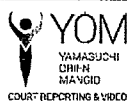
16 Q. Were you in discussions with anyone at  
17 Vandeberg, at the time this pleading was filed, about  
18 the sale -- the potential sale?

19 A. What I heard from Vandeberg is that the sale  
20 was a possibility but not a likely prospect.

21 (Exhibit Number 15 was marked for  
22 identification.)

23 MR. SMITH: Does anyone need to take a  
24 short break before we go forward?

25 MR. MCLEAN: Yes.



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## REPORTER'S CERTIFICATE

I, SHARI L. WHEELER, the undersigned Certified Court Reporter, pursuant to RCW 5.28.010, authorized to administer oaths and affirmations in and for the State of Washington, do hereby certify that the testimony and/or proceedings, a transcript of which is attached, was given before me at the time and place stated therein; that any and/or all witness(es) were duly sworn to tell the truth; that the sworn testimony and/or proceedings were by me stenographically recorded and transcribed under my supervision, to the best of my ability; that the foregoing transcript contains a full, true, and accurate record of all the sworn testimony and/or proceedings given and occurring at the time and place stated in the transcript; that a review of which was requested; that I am in no way related to any party to the matter, nor to any counsel, nor do I have any financial interest in the event of the cause.

WITNESS MY HAND AND SIGNATURE this 3rd day of December, 2015.

*Shari L. Wheeler*

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